



**PROMOTING INDUSTRIAL ZONES AND INVESTMENT MOBILIZATION**  
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<p><b>Palestinian ICT Incubator (PICTI) Business Plan</b></p>
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SUBMITTED ON

**JUNE 2003**

TO THE

**USAID MISSION TO THE WEST BANK AND GAZA**  
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The PRIZIM project supported a coalition of Palestinian ICT entities in developing a market assessment and initial business plan for a technology incubator in Ramallah. PRIZIM consultants completed this document in July 2002.

PRIZIM subsequently provided facilitation assistance to the Palestinian IT Association and the Palestinian Banking Corporation to tailor this initial business plan to the specific requirements of a GDA-supported project start-up. PRIZIM partner Massar Associates also participated in the start-up effort. The resulting document, prepared by these partners, is presented below.

# **The Palestinian Information Communication Technology Incubator PICTI**

Business Plan  
June 2003

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# 1. Executive Summary

## 1.1. Objectives

The prime benefit of the incubator will be to create jobs, enhance ICT skills and the rates of ICT business establishment. In addition, PICTI shall maintain the growth, survival, and expansion of a competitive and networked ICT cluster economy. PICTI will provide its tenants with an integrated package of services, international and regional networking, managerial mentoring and financial investment.

PICTI will achieve the following objectives:

- Provide state-of-the-art physical facilities for housing ICT enterprises, coupled with affordable and shared administrative and clerical services;
- Provide a network of business services for both on-site and off-site clients; these services will include subsidized access to high-quality consulting services on legal, accounting, financial, management, marketing, technical ICT services and other business areas;
- Encourage collaboration among existing firms and assist firms in pooling resources, establishing joint initiatives, and pursuing joint alliances and partnerships;
- Serve as an anchor for entrepreneurs seeking assistance in the commercialization of technology, business development and planning, marketing, and gaining access to local, regional, and global markets; and
- Provide a public/private sector business showcase through cooperation and partnership.

The physical infrastructure of the incubator will be first located in well-equipped facilities in Ramallah. PITA's Dubai office, Palestine@Gulf, will serve as a marketing outlet for PICTI in the Gulf region. Furthermore, PICTI services will be provided to incubated businesses inside or outside PICTI's facilities.

### 1.2. Mission Statement and Core Values

#### The Vision

PICTI will become the premier “bridge to the marketplace” for the Palestinian ICT industry. It will be the anchor and catalyst for the ICT cluster, serving as a focal point for the industry’s entrepreneurial activities and energy.

Over the next five years, PICTI will establish itself as the premier hub for:

- *ICT start-ups* of Entrepreneurs starting new venture or an existing start-up at its early stage.
- *Spin-offs* of existing companies or Joint Ventures.

PICTI shall be a leader in the provision of quality business services and will offer its clients the largest local and international network of business in the Middle East. It will also become a model for successful incubation, both locally and regionally, and will partner with other organizations to establish a network of incubators across the region.

#### The Mission

PICTI will work to facilitate and provide access to risk capital, business management and environment for innovation by building the capacity of firms and entrepreneurs to respond to opportunities in the market as well as addressing the need for specialized capital, knowledge and access to global markets.

PICTI can be the critical intermediary in ICT as a financing broker, a management broker, and a marketing/sales broker.

### 1.3. Key Success Factors

Over the past decade, incubators and various forms of business acceleration facilities and mechanisms (both physical and virtual) have proliferated in many regions around the world. Their structure, governance, and business models have also evolved, resulting in a myriad of alternative approaches to the design, development, and management of incubators. While incubators that survive are able to accelerate the establishment, survival, and growth of businesses, many incubators in fact do not survive. The reasons for their failure are many but largely stem from inadequate or weak management, ignorance or the lack of attention to global industry market and trends, lack of the grounding of the incubator in the region in which it is located, and the lack of adequate attention to creating a market-driven incubator.

The analysis of both failed and successful incubators points to six primary success factors that incubators need to integrate, and PICTI with its composition, partners and structure as will be detailed in the coming sections, possesses all ingredients of success and responds to each of these success factors as described below:

1. Successful incubators are *embedded in their region* and are strategically connected to the region’s *economic clusters* –i.e., incubators need to be linked to the growing industry

segments in the region.

PICTI with its unique composition of partners will be connected to the Palestinian economic clusters through cooperation agreements, outreach activities and awareness programs. PITA is well connected to many of the industrial sectors in Palestine and will utilize those existing relations and its ICT Diffusion Initiative for the best interest of PICTI.

2. An incubator requires *management by an entrepreneurial, energetic, visionary* individual who is focused on providing customized assistance to firms and is not burdened by administrative duties.

PICTI will be run by independent management professionals according to the best international business practices.

The General Manager will be recruited from international circles with a relevant experience and a substantial track record. The Deputy Manager will be recruited locally and will be responsible for assisting the General Manager in all incubator-related activities. The Deputy Manager will be a General Manager in-training, and it is anticipated that as the Deputy Manager builds capacity and experience in managing the incubator, the management of the incubator will be transferred to him or to other experienced local candidates. The rest of staff will be concentrating on administrative and follow-up tasks.

3. Incubators need to develop and adopt careful screening criteria to ensure the entry of firms with the greatest potential to succeed and need to pay *special attention to the synergies and “fit”* among on-site client firms.

PICTI will have an initial Screening committee and a Qualification Committee functioning according to its Policies and Procedures to ensure greatest potentials of success.

4. The incubator is located in a state-of-the-art high technology building with “smart” (advanced) conferencing and telecommunications infrastructure to foster strong linkages among local companies and between companies and global firms.
5. Incubator has a well-designed, *flexible space* with the potential for expansion in order to accommodate firm growth and growth in demand for incubator space.

PICTI business-ready facilities will simplify the startup phase of new ventures and integrate them within a professional and friendly office environment. PICTI main facility located in Ramallah with a 900-m2 facility to enable future expansion needs and features like State-of-the-art office space., High Speed LAN with secure high speed Internet connections., 24 hour secured building, IT support, etc.

6. Incubators provide value-added services beyond the provision of basic space, office services, and infrastructure. These value-added services must fill gaps in the business support environment of the region and need to be provided at an affordable rate (i.e., either directly or indirectly subsidized) to young companies. These services often include but are not limited to technical, advisory, marketing, management, and financial consulting.

PICTI will serve two types of tenants: in-house and virtual, it will offer the same business services for both types except for workspace. PICTI comprehensive set of venture

development and incubation services as detailed in the coming sections takes care of all of the emerging venture's needs and gives the entrepreneurs a trouble-free platform to speed start their businesses and focus on the core business activities.



## 2. Market Analysis

### 2.1. Current Macro-Economic Situation Effecting the Palestinian IT Industry

The Palestinian economy is characterized by a dominance of small and medium sized enterprises in almost all industries. The position of the Small Medium Sized Enterprise (SME) sector in Palestine is important to understanding the position of ICT companies, their support network, and their potential for success.

A recent study by the International Finance Corporation estimated the existence of approximately 50,000 businesses that exist in Palestine. Of these, over 90% are single owner SMEs often referred to as micro-enterprises or micro-businesses (employing less than 5 persons). Average employment rates are less than 4 persons with gross average capitalization levels of \$10,000. Over 75% of SMEs are in services, but manufacturing remains the largest source of employment. The largest manufacturing industries are Food and Beverage, Metal Fabrication, Textiles/Garments and Furniture/Wood Products.

The primary service sectors are Retail, Hotels and Restaurants, and Business Services, including IT. The ICT sector, along with pharmaceutical and food processing industries, is considered to be one of the most successful service and SME industries, especially in its potential to attract foreign investment.

The SME sector in the West Bank suffers from many of the typical problems prevalent in developing countries including: inadequate liquidity, limited investment capital; and a general lack of management experience (or expertise). In addition, the SME sector generally has poor access to market trend information. All of the abovementioned factors create an investment climate where it is difficult to attract foreign investment and to attract and retain experienced IT professional workers.

Many of these weaknesses or gaps at the firm level can be mitigated or addressed by the establishment of an incubator. The incubator from its inception and increasingly over time, can make significant inroads in redressing some of the obstacles to local and international competitiveness. The IT incubator can serve as a model to a wide cross-section of the Palestinian ICT industry to improve their local and international industry competitiveness.

### 2.2. Current Problems Facing the Palestinian ICT Industry

The Palestinian ICT industry is confronting four primary concerns:

- Limited access to venture capital
- Limited management experience
- Limited access to identified markets
- Telecommunications infrastructure

#### Limited Capital

Lack capital is the most critical impediment to local IT and other SMEs. Lack of adequate capital for creating, expanding, and renewing enterprises is a universal issue. Investors, however, acknowledge that part of the problem with respect to modest investment finance lies in the lack of business

planning and investment skills, and experienced managerial capacity at the local level. The inadequate level of business acumen and sophistication on the part of the local SME business owner serves to undermine the ability of the business community to attract additional capital financing.

### **Limited Management Experience**

The perceived issue of limited management experience to serve a growing ICT industry is widespread. This stems from the particularities of the ICT industry, the technical background of many entrepreneurs in this field, the intense global competition, and the rapid rate of technological advancement and thus the overall dynamics of this industry.

### **Limited Access to identified markets**

There have been many marketing and export promotion activities led by the PITA and the Palestine Trade Center (Paltrade) to enter and identify new markets, particularly the Gulf. Nevertheless, there are multiple internal and external factors that limit the access to those markets.

The limited marketing know-how and exposure to international business norms and quality of products are among the internal factors that should be addressed by the local ICT business, their support institutions and the PICTI.

Current political instability and Israeli restrictions on travel, transport and trade are major impediments to the Palestinian ICT industry. As the situation is brought back to normal, it's expected that at least logistical problems to market access will be lifted and more outreach and networking is feasible.

### **Telecommunication Infrastructure**

The ICT companies are increasingly looking for better and more accessible high-bandwidth Internet connectivity. There have been many improvements in the data communications network after the privatization, yet there are still crucial services promised to be introduced that would avail better connectivity.

## **2.3. Implications of Not Finding Solutions to these Problems**

The above-mentioned problems have been identified clearly in many studies, reports, assessment, workshops and brainstorming sessions done by almost all of the key players in the ICT sector. Several efforts are being initiated to tackle these problems wholly or partly, some successes have been achieved, but those problems are still a reality constituting huge impediments to the ICT industry growth.

Nevertheless, there is growing comparative competition from the neighboring countries and regions that increases the pressure on the Palestinian ICT sector to continue growth and innovation that enables helps ensure survival. Paradoxically, as the political situation eases, the competitive threat becomes even greater as the “protected” local market will become attractive to non-Palestinian ICT firms. This threat can turn to opportunity as more foreign companies will seek local representation to serve the potential growth either by a local representative or directly. In both cases, the Palestinian companies must remain competent to compete or be capable to represent those companies.

Solving the above mentioned problem will help in keeping the Palestinian ICT sector vibrant, innovative and competitive.

### ***2.4 Palestinian ICT Industry's Needs to Survive and Grow***

Below is a self-explanatory list of ICT industry needs to survive and grow:

- Access to debt and equity capital, particularly angel and venture capital
- Access to expanded market opportunities
- Access to affordable high-speed telecommunications infrastructure
- Access to international know-how and expertise in the fields of quality management and marketing.

### 3. Incubator Services

#### 3.1. Service Solutions to Current Problems Facing the IT Industry in Palestine

PITCI is positioned to respond and provide solutions through its various services to the previously mentioned problems. As will be detailed in the coming sections of this chapter, the services that PITCI will provide include best practices with respect to business development, finance and expanding basic IT infrastructure.

The PICTI Business Development Unit (see Chapter 5 for details), along with the global network of expertise that will be formed in addition to the experience of the General Manager and staff will create a concentrated environment of guidance, technical assistance and transfer of know-how to both virtual and physical tenants (Details in next section). The state-of-the-art physical infrastructure will enable physical tenants to access reliable and secured telecommunication connection(s) and office space. The structured relationship and access to dedicated venture capital fund(s) and financial expertise will provide an enabling environment for IT entrepreneurs and financiers to negotiate possible IT capital and partnership investments.

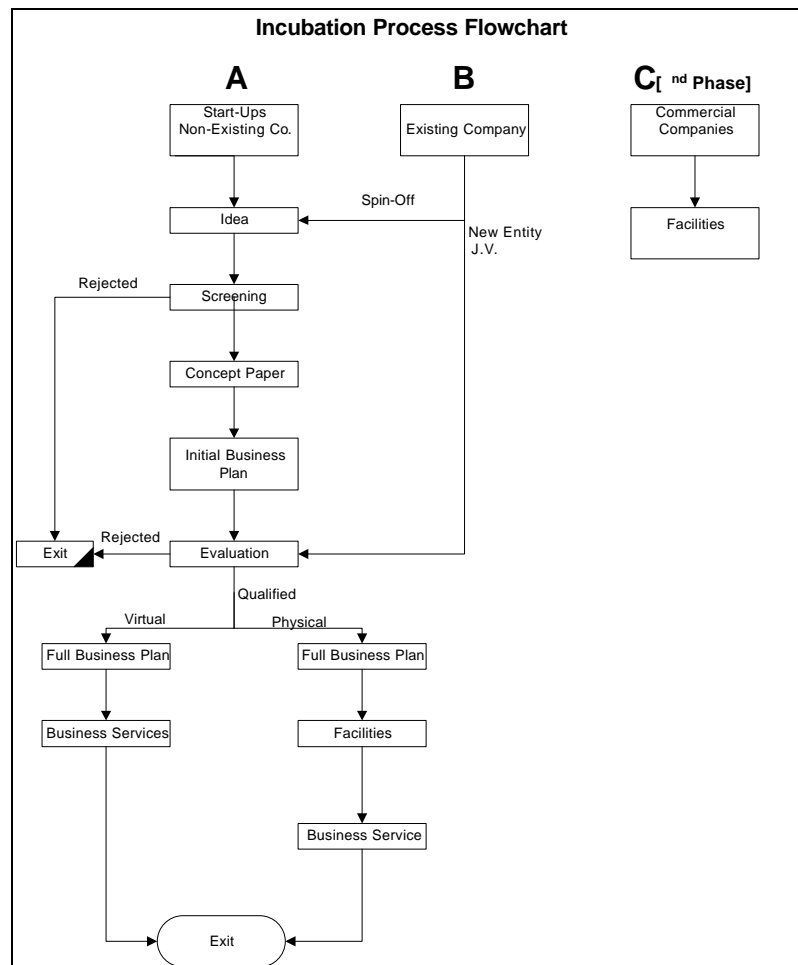
The sections below, describe the types of tenants, incubation process flowchart and services to be provided By PITCI.

#### 3.2. Types of Tenants:

- A. *New concepts or ICT start-ups:* Entrepreneurs starting new venture or an existing start-up at its early stage.
- B. *Spin-offs of existing companies or Joint Ventures.*
- C. *Commercial tenants:* Well-established ICT company that can provide services and add value to PICTI tenants.

The PITCI screening committee (comprised of the general manager and experts) will screen incoming proposals. The tenants' applications will be reviewed by a qualification committee. The qualification committee consists of the PICTI General Manager, the managers of PICTI-dedicated VCs, and 3 additional experts selected by PICTI general manager according to the Board-approved expert selection criteria and relevant policies of PICTI to ensure highest rate of potential success. The PICTI Board will provide their approval to the committee's decision before official hosting.

In some cases, PICTI may invest in promising proposals by offering free services in the "pre-incubation" stage. The pre-incubation state is defined as the very initial step(s) required to transform a promising idea into valid business proposal. The PICTI may provide business development services under special arrangements for the exit strategy. All circumstances where the PICTI makes investments (including extending free services) require Board approval.



### 3.3. Services to Be Provided

PICTI will serve two types of tenants: in-house and virtual. PICTI will extend the same business services for both in-house and virtual clients. The only difference is that virtual clients will not require an additional workspace. Our comprehensive set of venture development and incubation services takes care of all of the emerging venture's needs and gives the entrepreneurs a trouble-free platform to speed start their businesses and focus on the core business activities.

The services that PICTI provides include:

#### A. Strategic Services

- Strategic Planning and Assessment
- Financial Planning
- Partner Identification
- Product Positioning
- Market Research and Marketing
- IT counseling

#### B. Entrepreneurs Personal Development Program

Training and coaching sessions given to entrepreneurs on specific topics such as financial management, web development, E-business concept and applications, emerging technologies,

communications and presentation skills, company law, marketing and preparation of business plans.

#### C. Technical Assistance

Consulting Services & technical assistance in relation to:

- Preparation of concept paper
- Preparation of Business plan
- Preparation of marketing plans
- How to run a business (strategic planning, financial management, accounting, risk analysis, audit control, customer analysis and relationship management, quality management, determining long term viability of business, human resources and legal issues, project management, and proposal writing)
- Legal advice in areas such as company law, taxation, intellectual property rights, trademarks and patents, employment law, trade practices, business contracts and copyright issues

#### D. Financial services

- Access to VC funds
- Access to investors
- Access to Debt capital
- Business Finance (Acquisitions, Initial public offerings, share issues, private placement and debt restructuring, Project and structures finance)

#### E. Operational Services

- Accounting
- Branding and Advertising
- Recruitment and payroll
- Web Development
- Procurement
- Marketing and Sales
- Public Relations

#### F. Incubation Facilities

Our business-ready facilities can simplify the startup phase of new ventures and integrate them within a professional and friendly office environment. Our HQ and main facility is located in Ramallah with a 900-m2 facility and the following features:

- State-of-the-art office space
- PC's, printers, servers
- High Speed LAN with secure high-speed Internet connections
- Shared meeting rooms
- Secretarial, mailing, faxing and photocopying services
- Kitchen & lobby areas
- Reception
- 24 hour secured building
- Conferencing and workshop facilities
- IT support

## 4. Strategy and Implementation Plan

### 4.1. Strategies

PICTI will have a multi-dimensional strategy for fundraising, marketing, service delivery, and tenants' qualifications and graduation to achieve its goals for the first three years.

For the first year, PICTI will aim at (1) establishing the facility and operations; (2) position itself in the industry; (3) build its network of expertise; and (4) have the first round of tenants qualified and hosted.

For the second year, PICTI aims at (1) being recognized in providing top-quality services that will increase the demand on its services; (2) achieve full occupancy; and (3) graduate at least one tenant. By that, PICTI would have then tested its entire operation and setup with full resources. In addition, PICTI, by the end of year 2, should start drawing other resources of venture capital fund.

By year three, PICTI will be matured and have graduated more tenants and hosted new ones. Hence, it will be time to shift its strategies to building new alliances to expand, and to achieving more regional and international positioning for PICTI and its tenants.

#### A. Fund-Raising Strategy

PICTI fundraising strategy is based on funds pledged by the Partners and Sponsors in the forms of cash, cash equivalent and in-kind contribution, in addition to revenue generated from services.

As PICTI mature and stabilizes, it will seek to establish strategic alliances with major international development agencies and initiatives to support expansions and replication.

#### B. Marketing Strategy and Positioning

PICTI marketing strategy and positioning will focus at the beginning to spread the awareness of its concept and business model to help position itself and attract quality tenants. It will shift afterwards positioning the tenants and reach possible new investors and venture capital funds.

As PICTI becomes in a position to expand and replicate, its marketing strategy will concentrate on profiling its successful model and success stories of graduating tenants.

#### C. Services Delivery Strategy

The core and one of the most important factors of PICTI success is the quality of its services. PICTI, and more specifically, the Business Development Unit, will concentrate in the first year on providing tenants with basic and strategic planning services. External technical assistance resources will also be geared to fill this need in addition to uplift the internal capacity to provide such services.

Depending on tenants needs and product development stage and maturity, more advanced services will be needed in the fields of marketing and quality.

PICTI will strategically tap on specialized external resources addressing joint venturing, international standards and marketing and advanced legal and contractual services. PICTI intends to build alliances and widen its network to address those needs.

### D. Tenant Qualification, Graduation, and Post-Graduation

As the first Palestinian ICT incubator, PICTI will strategically strive to ensure the highest quality of the tenants with highest potential of success and profitability. PICTI will also keep its links with graduated companies to incorporate them in its expertise network and success profile.

The highest priority mandate of the management team will be to detail the operational procedures and policies that would govern the incubation and graduation processes.

The qualification of prospect tenants will take into consideration the local market needs for technology solutions in addition to international market trends. The incubation concept is new in the Palestinian market, public and private; hence, the qualification of tenants for the first few years may concentrate on the quality and innovation of concepts presented, and less on the qualities of the prospect that can be built within PICTI through provided services.

The graduation strategy of PICTI for the first years will aim at positioning itself as a quality producing center with comparably high return over investment. The quality and profitability of PICTI graduate, and the first ones in particular, will be help PITCI to position itself, build new alliances and foster more demand on its services.

An illustrative table of PICTI activities and sought outputs over the first years can be found in the next page.



**E. PICTI Primary Input Activities and Expected Outputs**

	Year 1		Year 2		Year 3	
	Activities	Output	Activities	Output	Activities	Output
Fundraising	<ul style="list-style-type: none"> <li>Continuous activities to recruit sponsors and supporters targeting specific budget items as in-kind or as cash.</li> </ul>	<ul style="list-style-type: none"> <li>PICTI Is well-established and operational</li> <li>PICTI is positioned in the industry</li> <li>Experts Network is setup and engaged</li> <li>Screening &amp; Qualification committees are setup</li> <li>1<sup>st</sup> round of tenants qualified</li> </ul>	<ul style="list-style-type: none"> <li>Continuous activities to recruit sponsors and supporters targeting specific budget items as in-kind or as cash.</li> </ul>	<ul style="list-style-type: none"> <li>PICTI is providing top-quality services</li> <li>Demand is increasing</li> <li>Full capacity utilized</li> <li>At least one tenant is graduated</li> </ul>	<ul style="list-style-type: none"> <li>Continuous activities to recruit sponsors and supporters targeting specific budget items as in-kind or as cash.</li> <li>Fundraising for expansion and replication</li> </ul>	<ul style="list-style-type: none"> <li>More graduating tenants</li> <li>Building new alliances</li> <li>More International positioning to PICTI and its tenants.</li> </ul>
Management	<ul style="list-style-type: none"> <li>Capacity Building for staff</li> <li>Training, Study Tours</li> <li>Recruitment</li> <li>Procedures and Policies</li> </ul>		<ul style="list-style-type: none"> <li>Activities to recruit more tenants</li> <li>Consolidate Network</li> <li>Ensure quality, performance and customer satisfaction</li> <li>Enlarge VC Network</li> </ul>	<ul style="list-style-type: none"> <li>Full operation cycle is tested and modified</li> <li>More VCs are engaged</li> </ul>	<ul style="list-style-type: none"> <li>Promoting Deputy Manager</li> <li>Networking</li> <li>New Tenants</li> </ul>	
Short Term Technical Assistance	<ul style="list-style-type: none"> <li>Basic business development till in-house capacity is ready</li> </ul>		<ul style="list-style-type: none"> <li>Marketing, Quality,</li> </ul>		<ul style="list-style-type: none"> <li>All Services</li> </ul>	
PICTI Services	<ul style="list-style-type: none"> <li>Basic Tenants Business Services</li> </ul>		<ul style="list-style-type: none"> <li>All Services</li> </ul>		<ul style="list-style-type: none"> <li>All Services</li> </ul>	
Marketing	<ul style="list-style-type: none"> <li>Awareness on the Incubation concept and PICTI services</li> <li>Recruit tenants</li> <li>Workshops, seminars, etc.</li> <li>Website</li> <li>PR Campaign</li> <li>Launching Event</li> </ul>		<ul style="list-style-type: none"> <li>Company &amp; Product Profiling</li> <li>Attract More VCs</li> <li>Road-Shows</li> </ul>		<ul style="list-style-type: none"> <li>PR based on success stories</li> <li>Campaign to lobby for expansion and replication</li> <li>Road-Shows</li> <li>Company &amp; Product Profiling</li> </ul>	

### 4.2. Implementation Plan and Milestones

#### A. Start-up Phase (0 -1 year)

In the start-up phase, incubator managers must focus on establishing the incubator, ensuring the smooth operation of its basic services, attracting the first class of businesses, and developing the knowledge network. The Facility Manager should be one of the first staff members hired in order to oversee the preparation of the incubator spaces, its furnishing, the installation of equipment, and its overall preparation for occupancy.

A critical activity during this early phase will be concerted marketing efforts to recruit on-site and off-site clients. The incubator manager needs to implement a multi-pronged media campaign that has as its objectives the following:

- Create awareness and understanding of the concept of a business incubator; and,
- Educate industry leaders on need for incubator's services.

In the light of the current development of PICTI formation, the short-term activities and milestones needed for the pre-startup phase and year 1 (June 2003 – May 2004) are summarized next in section E.

#### B. Consolidation Phase (2-3 years)

As the tenants move in and the incubator approaches full occupancy, the managers need to turn their attention to creating and maintaining world -class services. The success of the incubator depends on providing marketing, management, financing, and technical services that are effective and affordable. This will require substantial networking and marketing efforts.

#### C. Self-Sustainability and Growth (4-5 years)

In years 4 and 5, the incubator will have built up a substantial network of alliances and partners, established credible network of experts and professionals, and will have graduated its first batch of clients.

The graduation of the clients will provide the incubator with additional tangible results that can solidify its credibility and provide it with the leverage necessary to forge new alliances and relationships. As such, during these years, the incubator can begin to trim some of its management and marketing costs.

Finally, by year 5, as incubator has gained credibility and can point to tangible benefits to its clients, it will have the opportunity to recoup a higher percentage of the cost of services.

#### D. Replication/Franchising (2-4 years)

PICTI will in the first three years work out solutions to the local challenges it will face; as such the incubation model will be substantially customized to the local circumstances and resources, consequently providing a successful prototype for replication or franchising. Further, the success of an incubator hinges on the key management talent and the knowledge and expert networks that are developed. These factors are easily transferable and/or shared. As PICTI will start its physical facilities in Ramallah, by year 2-3, it will consider expanding physically into Gaza with its efforts to expand partners and alliances.

In addition, it is feasible for PICTI management to consider franchising the incubator by leasing the model out. Creating a network of incubators will in fact strengthen all the incubators, enhance the business environment, improve business support capacity, and allows each incubator to serve target clients more effectively.

### E. PICTI Detailed 1st Year Action Plan (6/2003 – 5/2004)

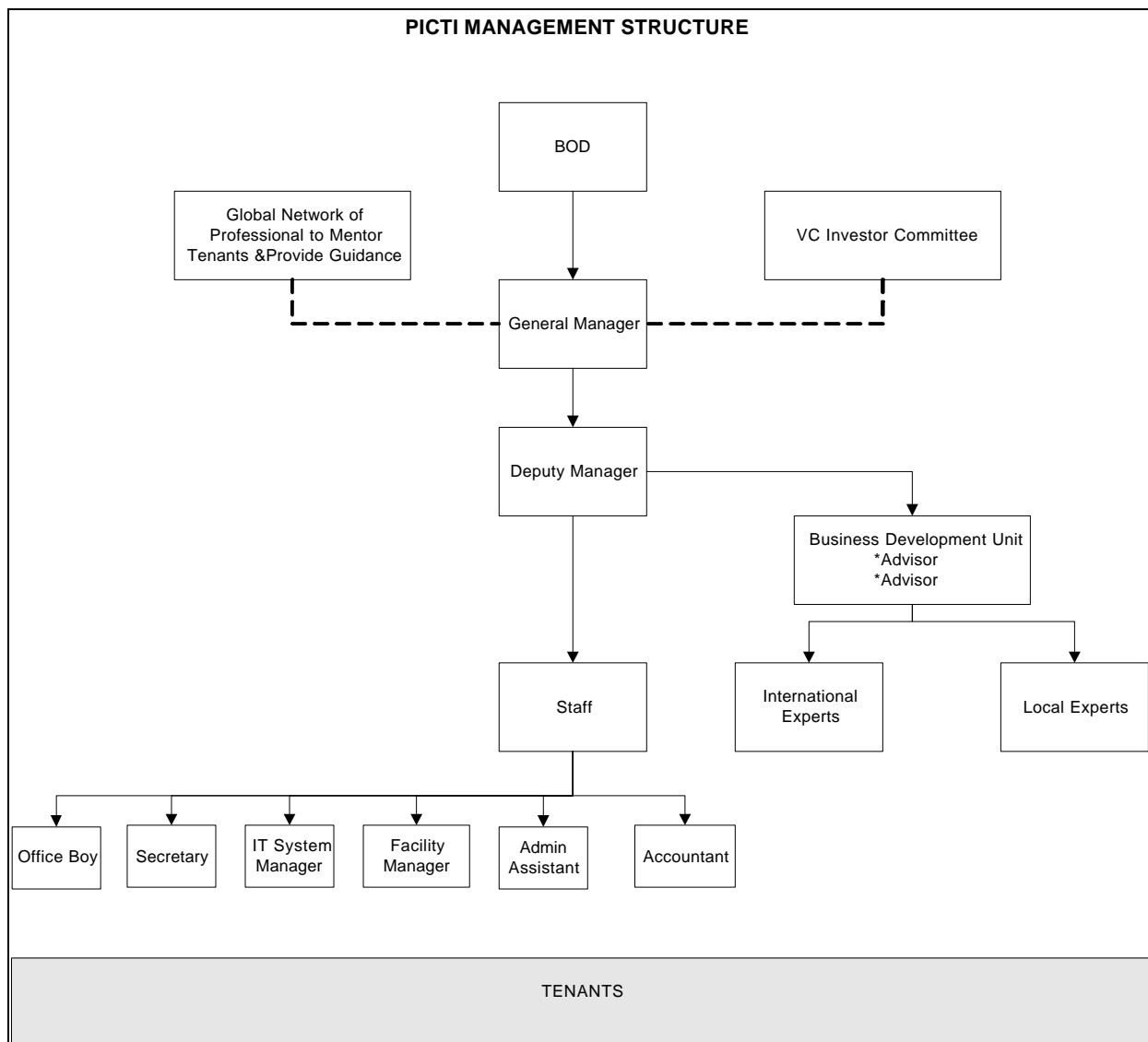
<b>I.</b>	<b>Preparations</b>	
	15 Apr 2003 - 1 June 2003	1. Partners Finalization
	<b>(1.5 months)</b>	2. Full Business Plan
		3. PICTI By-Laws
		4. PICTI Registered as NGO (including domain name .ps)
		5. Temporary hosting at PITA
		6. Securing Committed Pledges of Partners and Sponsors
<b>II.</b>	<b>Setup</b>	
	1/June/2003 - 1/Sep/2002	7. Recruiting the Facility Manager
	<b>(3 months)</b>	8. Leasing the space
		9. Procurement Process for of furniture, hardware, office equipment, networking, etc
		10. Recruiting the General Manager
		11. Move into Offices
<b>III.</b>	<b>Settling</b>	
	1/Sep/2003 – 1/Nov/2003	12. Recruiting the Deputy Manager, Accountant, IT Manager, Admin Assistant, Office Boy
	<b>(2 months)</b>	13. Board, Staff and Incubation Standard Operating Procedures
		14. PICTI Website
		15. Marketing & PR Campaign
<b>IV.</b>	<b>Settling</b>	
	1/Nov/2003 – 31/Dec/2003	16. Official Kick-off and Call for Concept Papers
	<b>(2 months)</b>	17. Build the database of Experts (Global Network)
		18. Qualify business services providers (Local and International)
		19. Setting up the Screening Committee & the Qualification Committee
<b>V.</b>	<b>Operation</b>	
	1/Jan/2004 – 1/June/2004	20. Qualification Committee and 1st Panel
	<b>(5 months)</b>	21. First Tenants (Physical or/and virtual)
		22. Recruit one Business Advisor
		23. Full operation starts

## 5. Management Summary

PICTI, as a non-profit organization dedicated to the establishment of ICT incubators in Palestine, has an independent Board of Directors representing all partners to ensure the best interest of PICTI and its sustainability. PICTI Board will adhere to best international practice of governance and will set and abide to PICTI By-Laws and policies.

PICTI will be run by independent management professionals according to the best international business practices. The management team will consist of a highly professional General Manager -an international expert who has previous experience working with IT incubators, a local Deputy Manager (who would be familiar with the needs and capabilities of the local ICT sector and grow into the General Manager role), resident business development advisors and support staff. In addition, PICTI will make use and build a wide network of professional individuals and service providers from the local and international markets.

### 5.1. Responsibility Structure and Relationships



### 5.2. Board of Directors

PICTI Board of Directors (PICTI Board of Directors) shall constitute of members appointed by PICTI partners. PICTI Board of Directors will ensure successful operation and sustainability of PICTI. It shall be the ultimate responsible of PICTI and shall articulate, promote and oversee the overall program and management guidelines of PICTI. Comprehensive By-Laws will govern PICTI. The following is a summary of its main points:

1. The Board of Directors shall set the policies of PICTI within the boundaries of the Partnership Agreement. It shall have the ultimate responsibility over PICTI.
2. The members of the Board of Directors shall excuse themselves from voting or making any decision that may give rise to any conflict of interest. In this regard, the Board of Directors shall have the right to determine such conflict.
3. Each partner shall name its appointees to the Board of Directors once per year.
4. Each partner may also name an alternate Board member. Alternate Board members may attend Board meetings where a Board member is not present at a Board meeting, and shall fully represent that Board member.
5. The partners may vote by two-third (2/3) majority in favor of adding any new partner.
6. The Board of Directors shall be committed to serve PICTI's best interest.
7. The Board shall elect a Chairman of the Board on its first meeting, and every year there on.
8. PICTI General Manager will be a non-voting Board Member.

#### A. Board Member Terms of Reference

The control and direction of PICTI's affairs are vested in the Board of Directors, as provided in its By-Laws. PICTI leadership aims at serving the IT industry in Palestine within an institutional framework. Board members are to fulfill PICTI's vision, mission and objectives as stated in the attachment to the Partnership agreement.

The following items are the reference terms of PICTI's Board members and their alternates:

1. Board members are expected to act and work with a vision and focus on the collective benefits PICTI. However, the members of the Board of Directors shall excuse themselves from voting or making any decision that may give rise to any conflict of interest. In this regard, the Board of Directors shall have the right to determine such conflict.
2. PICTI board members, or alternates, are required to actively participate in all board meetings and activities.
3. PICTI board members, or alternates, are also expected to actively participate, as assigned, in committees that the Board creates.
4. Board members, or alternates, are required to actively participate in all planning sessions particularly the annual planning exercise.
5. Board members, and alternates, are expected to continuously utilize their individual relationships for the benefit of PICTI.
6. PICTI board members should provide all necessary support for the board, not concealing any relevant information that would affect PICTI's best performance.

**B. Terms of Reference for the Board of Directors Chairman**

The following items form a reference for the Chairman of the board:

1. PICTI is an organization governed and run by documented By-Laws, policies, systems, procedures and instructions. It is critical that these systems and regulations are adhered to and implemented in all PICTI work. In this regard, the Chairman sets the example for all others and to do this he/she must be fully aware of PICTI By-Laws, policies, systems, procedures, and plans.
2. The Chairman must set an example in terms of his serious and continuous follow up at all levels and in terms of adopting and implementing teamwork principles.
3. The Chairman has the authority to call for Board of Directors meetings. The Chairman and the General Manager must establish a high performing working relationship in order to effectively lead and manage the organization.
4. One of the most important functions of the Chairman is building a wide network of relations with the various relevant parties at all levels; local, regional and international. The Chairman is expected to spend a good portion of his time and effort to accomplish this.
5. It is a major function for the Chairman to be knowledgeable about national development and donor agency programs and to attempt to take maximum benefit from these programs.
6. Further to the above, the Chairman as a leader of the organization is expected to work towards increasing the level of financial independence and organizational financial sustainability.
7. The Chairman is expected to fully participate in the annual planning exercise and be continuously informed of progress of those plans.
8. The Chairman is the official representative of PICTI with all external parties. He/she is required to always be well prepared for the various meetings with those parties.

**5.3. Management Team**

PICTI will be run by independent management professionals according to the best international business practices. High-caliber management will be essential to the successful operation and sustainability of the potential for success among incubators. The management of PICTI incubator will be a team effort composed of the following:

**A. MANAGEMENT****1. General Manager**

The General Manager will be responsible for providing vision and direction and for supervising the execution of this vision. Given the state-of-readiness of the region, an internationally experienced manager with a substantial international network is required to manage the incubator in its initial two years. The General Manager will be recruited from international circles with a relevant experience and a substantial track record. The General Manager will be the key to establishing the incubator as a bridge to the marketplace.

The General Manager will be a non-voting Board Member.

### 2. Deputy General Manager

The Deputy Manager will be recruited locally. He will be responsible for assisting the General Manager in all incubator-related activities. Additionally, he will provide additional liaison to the local IT community and ensure strong coordination and collaboration with local and regional partners. The Deputy Manager will be a General Manager in-training, and it is anticipated that as the Deputy Manager builds capacity and experience in managing the incubator, the management of the incubator will be transferred to him or to other experienced local candidates by year 3.

## B. SUPPORT STAFF

In addition to the above staff, the incubator requires a number of support staff reporting to the Deputy Manager:

### 3. Facilities Manager

For supervising office operations, cleaning, and maintenance as well as maintaining compliance with licensing, and other municipal regulations

### 4. IT System Manager

IT system manager will be responsible for maintaining PICTI's ICT infrastructure, assisting staff and clients with IT tools and assess PICTI technology needs.

### 5. Accountant

The Accountant will be responsible for all accounting transactions of PICTI. The Accountant shall be responsible for issuing financial statements and reports as required by the General Manager. The Accountant shall be responsible of accurate billing to PICTI clients.

### 6. Administrative Assistant

The Administrative Assistant shall be responsible for providing necessary administrative support to PICTI and take responsibility of all logistics

### 7. Secretary

The Secretary shall be responsible for providing necessary secretarial support to PICTI and on-site clients.

### 8. Office Boy

Office Boy will provide services as requested by staff and on-site clients.

## 5.4. Business Development Unit / Services Delivery Team

The core basic business development services will be provided by and supervised under the Business Development Unit (BDU).

The BDU will have two in-house advisors (starting with one only) who will have the following responsibilities:

1. Provide early-stage business support services to PICTI clients.
2. Identify services needed by PICTI clients.
3. Recommend qualifications of external experts and advisors needed.

4. Manage external experts and advisors who will provide the tenants with other support services.
5. Act as a bridge between clients and experts.
6. Supervise necessary follow-up with clients to implement experts' recommendations, and to make best use of their reports.
7. Provide follow-on basic consulting to the clients.

The pool of external advisors will consist of local and international experts in the fields of law, accounting, financial services, ICT, management, business development, technical assistance, technical writing, marketing, advertising, and other necessary fields as necessary.

### ***5.5. Auditor Team / Auditing***

PICTI is committed to adopting and implementing an efficient and flexible financial and operational system that insures transparency, accountability and sustainability according to international professional standards and announced PICTI Policies.

PICTI financial and operational systems will be audited by an independent international auditing and public accounting firm as most of the big international accounting and auditing firms are present in Palestine (e.g. Ernst & Young, Price Water House Coopers, Talal Abu Ghazaleh International).

Furthermore, PICTI will utilize its network and pool of professionals to continuously improve its operational guidelines and maintain the leading edges in its business practices.



## 6. Financial Plan

### 6.1 PICTI START-UP COSTS

	Item	Quantity	Unit Cost	Total (\$)
	<b>SETUP COST</b>			,
<b>A</b>	<b>Hardware</b>			,
A.	PICTI Servers		,	,
A.	Tenants Servers		,	,
A.	PICTI PCs (with OS)		,	,
A.	PICTI Laptops (GM & Deputy)		,	,
A.	Tenants PCs ( tenants * PCs) (with OS)		,	,
A.	Routers, Hubs, Switchs		,	,
A.	Networking and Cabling		,	,
<b>B</b>	<b>Software</b>			,
B.	Servers Operating Systems		,	,
B.	Office Xp			,
B.	Antivirus			,
B.	Monitoring Tools		,	,
<b>C</b>	<b>Furniture &amp; Office Equipment</b>			,
C.	Furniture ( Manager, stations, Mtng Rooms, Reception, Shelves, Chairs, White Boards, etc)		,	,
C.	Telephone Sets (Tenants & Staff)			,
C.	Telephone PBX (Digital, extentions, software)		,	,
C.	Telephone Set - Operator			
C.	Printer (A , Network Ready)		,	,
C.	Fax (Laser)		,	,
C.	Scanner			,
C.	Copier		,	,
C.	Overhead Projector		,	,
C.	Final Office Preparation		,	,
<b>D</b>	<b>Electrical Work &amp; Airconditioning</b>			,
D.	Backup Power Generator ( KVA, Incl Installation)		,	,
D.	Main UPS System ( KVA)		,	,
D.	UPSs ( KVA)		,	,
D.	Electrical Cabling		,	,
D.	Air-conditioning		,	,
<b>E</b>	<b>Pemits</b>			,
	<b>TOTAL</b>			,

## 6.2. Key Assumptions and Contributor Commitments

### A. Assumptions (Expenses)

- Lease of space will cost \$80/m<sup>2</sup> for unfurnished space in downtown Ramallah.
- General Manager will be an expatriate for the starting first two years and will require a total compensation package of \$135,000. In Yr 1.
- The Deputy General Manager will be hired locally with the aim of building up capacity to take on General Managerial duties. In Yr 1, s/he will join after 4 months of starting operation. In Yr 3, it is assumed that the Deputy General Manager or someone of similar qualifications and experience will be phased in as a local General Manager, and thus command lower total compensation package.
- The rest of the staff will start after 4 months of operations except for the Facility Manager who will be the first one to be hired.
- Salaries for staff are based on mid -range market figures and assume an annual raise of 5%. The 5% raise is also assumed for the General Manager and the Deputy.
- Rates for local professional network members are \$300/day and for expatriate professionals' \$400/day with an annual increase of 5%.  
It is assumed that as the incubator and ICT cluster matures, the local professional network will grow and will include more members with improved qualifications and experience who can provide more of the services previously provided by an expatriate network.
- Travel assumes an average cost of \$4000 per trip and covers local, regional, and international travel. As the General Manager and Deputy General Manager will need to be aggressive in their recruitment of first-rate professional networks and in forging strong alliances and relationships with service providers as well as industry partners, venture capitalists, and other related institutions abroad, there will be significant travel involved. As incubator matures, the professional network is well established, and as the local Deputy General Manager takes on more responsibilities, travel trips will decrease.
- Entertainment covers entertainment activities for clients, partners, and other networking activities critical to the success of the incubator.
- Subscription to organizations includes both local and international organizations.
- Subscription to magazines includes both print and on-line media. These magazines will serve both management and clients and will include diverse topics include magazines focused on management, market trends, industry trade journals, and the like.
- A recurrent expense for marketing purposes of an average USD 35,000 for the first three years of the incubators life will be imperative.
- The Startup cost (USD 315,000) is included under Yr 1, although most of it will be required in the first three months of operations and before most of the staff is hired.

### B. Assumptions (Revenue)

- On-site tenants (approximately 5 tenants) will rent 300 m<sup>2</sup> in Yr 1, going up to 420 m<sup>2</sup> in Yr 2 (7 tenants), at the rate of USD 80 per square meter, to 720 m<sup>2</sup> in year 5 (12 tenants). Commercial Tenants will have a different rate of USD 120 per square meter.
- Client fees for professional services are scaled at 20-30% of actual cost when adding the salary costs of advisors, experts and part of the General Manager and the Deputy.
- Royalties refer to "earnings" derived as percentage of contracts signed by on-site incubator

clients. It is difficult to project this revenue stream as it may take some time before clients are able to close sizeable contracts. Further, there may be reluctance on the part of client firms to opt into such an agreement. Consequently, the above projected royalties are very conservative estimates.

- Local Partner Contribution is detailed in the Leverage Section and Appendices (Partner and Contributor letters of Commitment) and consists of cash and cash equivalent pledged by the founding partners.
- Incubator will host training workshops with an average of 20 participants paying average of \$100 per workshop. An annual growth fueled by a combination of additional workshops, more participants per workshops, and/or higher fees.
- PICTI will assume re-compensation in the form of graduate fees from successful graduate businesses.

### C. Contributors Commitments for Year 1

1. PITA	\$ 87,400
2. Massar	\$ 10,000
3. PBC	\$ 40,000
<b>TOTAL</b>	
4. VC Commitment	\$ 2,700,000
<b>TOTAL</b>	<b>\$ 2,837,900</b>

### 6.3. Five-Year Revenue, Expense Projections and Cash-Flow Projections

<b>A</b>	<b>INCOME</b>							
<b>A</b>	<b>Rental Income</b>	<b>Rate</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Total</b>
	Incubatees							
	Rate* m	\$	,	,	,	,	,	
	Revenue		,	,	,	,	,	\$ ,
<b>A</b>	<b>Rental Income</b>							
	Commercial Occupants							
	Rate* m	\$	-	,	,	,	,	
	Revenue		-	,	,	,	,	\$ ,
<b>A</b>	<b>Services Income</b>							
	Clients (Virtual + Phys)							
	Rate		,	,	,	,	,	
	Revenue		,	,	,	,	,	\$ ,
<b>A</b>	<b>Royalties</b>		-	,	,	,	,	\$ ,
<b>A</b>	<b>Training/Seminar Fees</b>		,	,	,	,	,	\$ ,
<b>A</b>	<b>Advertising Fees</b>		,	,	,	,	,	\$ ,
<b>A</b>	<b>Naming Rights</b>						,	\$ ,
<b>A</b>	<b>Partners Sponsorship</b>		,	,	,	,	,	\$ ,
<b>A</b>	<b>Graduation Fees</b>		-	-	,	,	,	\$ ,
	<b>Total Other Revenue</b>		\$ ,	\$ ,	\$ ,	\$ ,	\$ ,	\$ ,
	<b>Total Income</b>		\$ ,	\$ ,	\$ ,	\$ ,	\$ ,	\$ ,
	<b>EXPENSES</b>							
<b>B</b>	<b>Salaries and Fees</b>	<b>Rate</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Total</b>
<b>B</b>	General Manager		,	,	,	,	,	\$ ,
<b>B</b>	Deputy General Manager		,	,	-	-	-	\$ ,
<b>B</b>	Facilities Manager		,	,	,	,	,	\$ ,
<b>B</b>	IT System Manager		,	,	,	,	,	\$ ,
<b>B</b>	Accountant		,	,	,	,	,	\$ ,
<b>B</b>	Admin Assistant		,	,	,	,	,	\$ ,
<b>B</b>	Secretary		,	,	,	,	,	\$ ,
<b>B</b>	Office Boy		,	,	,	,	,	\$ ,
<b>B</b>	Business Advisor ( days)		,	,	,	,	,	\$ ,
<b>B</b>	Local Prof Fees	\$	,	,	,	,	,	\$ ,
<b>B</b>	Expat Prof Fees	\$	,	,	,	,	,	\$ ,
	<b>Total Salaries</b>		,	,	,	,	,	\$ ,
<b>C</b>	<b>Office Operations</b>	<b>Rate</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Total</b>
<b>C</b>	Facilities Rent/Lease* m	\$	,	,	,	,	,	\$ ,
<b>C</b>	Travel		,	,	,	,	,	\$ ,
<b>C</b>	Transportation		,	,	,	,	,	\$ ,
<b>C</b>	Entertainment		,	,	,	,	,	\$ ,
<b>C</b>	Subscriptions		,	,	,	,	,	\$ ,
<b>C</b>	Utilities:Water, Electr, Fuel		,	,	,	,	,	\$ ,
<b>C</b>	Utilities:Communications		,	,	,	,	,	\$ ,
<b>C</b>	Maintenance		,	,	,	,	,	\$ ,
<b>C</b>	Cleaning		,	,	,	,	,	\$ ,
<b>C</b>	Insurance		,	,	,	,	,	\$ ,
<b>C</b>	Auditing		,	,	,	,	,	\$ ,
<b>C</b>	Marketing		,	,	,	,	,	\$ ,
<b>C</b>	Workshops and Events		,	,	,	,	,	\$ ,
<b>C</b>	Website		,	,	,	,	,	\$ ,
<b>C</b>	Start-up Costs and Equipment		,	-	-	-	-	\$ ,
	<b>Total Office Operations</b>		,	,	,	,	,	\$ ,
	<b>Total Operating Costs</b>		,	,	,	,	,	\$ ,
	<b>Net Income Operations</b>		\$ ( , )	\$ ( , )	\$ ( , )	\$ ( , )	\$ ( , )	\$ ( , )
	-year Support Required	\$ , ,						
	Operating Support Required	\$ , ,						

## **7. Appendices**

### **7.1 PITA Profile**

### **7.2. Massar Associates Profile**

### **7.3. Palestinian Banking Corporation Profile**

### **7.4. Partners Memorandum of Understanding**

## 7.1. PITA Profile

*[www.pita-palestine.org](http://www.pita-palestine.org)*

The Palestinian Information Technology Association *for Companies* was founded in early 1999 in Ramallah, Palestine, as a membership-based organization for locally registered companies in the IT sector. The association represents more than 65 enterprises from various sub-sectors including hardware distributors, software development firms, office automation vendors, Internet service providers, telecommunications, IT consulting, IT training and related businesses. *PITA* is a business organization representing a segment of the Palestinian private sector and registered as such with the Palestinian National Authority Ministry of Economy and Trade.

**Purpose:** To represent the collective interest of the private IT sector in Palestine.

**Vision:** PITA leads the positioning of the IT sector as the economic pillar of Palestine.

**Mission:** To promote and defend IT private sector through:

- Advocating business enabling policies, mechanisms and environment through public-private partnership.
- Promoting the Palestinian IT sector locally and internationally through facilitating access to markets for the benefit of the PITA members.
- Engaging the technical and non-technical IT human resources and human resources related institutions in-order to expand qualified pool of which uphold the level of professional standard.

### **Membership**

PITA has become a mature association that attracts new members and receives recognition through a well established presence. The association has managed to grow physically by covering both West Bank and Gaza through its offices as well as the Gulf market through its Palestine@Gulf marketing and business development office in Dubai.

PITA has 3 types of Membership:

- A. **Full Membership:** Open for all Palestinian registered companies that supply information technology products and services in the computing and telecommunication industries.
- B. **Associate Membership:** Open to businesses, Institutions, individual professionals and students with proven track record interests in ICT in Palestine.
- C. **Honorary Membership:** PITA selects persons to become honorary members for their distinguished contributions to the Palestinian IT Sector. This membership category is not launched yet.

### **Role**

- *PITA* works to improve the business climate in the interests of all members through its role, vision and mission

- *PITA* represents and focuses on the interests of its members in the ongoing development of the industry
- *PITA* seeks to provide avenues for all its members to make contacts with other suppliers and stakeholders in the IT fields, in a rapidly changing marketplace.

### **Governance**

- The highest governing body of *PITA* is the General Assembly (GA), which includes all members and meet at least once a year.
- The General Assembly elects the Board of Directors (BoD) and appoints the external auditors. BoD meets once a week.
- The BoD appoints Executive Director (ED) who is responsible to the day-to-day running of the organization operation and accountable to BoD.
- *PITA* has established by-laws and procedure manual can be amended by GA

*PITA* has a strong and active Board of Directors (BoD), which meets on a weekly basis. Large and small IT companies are presented In the BoD. Well-experienced executive managers are coordinating all *PITA* daily activities. The BoD and the executives are prepared and in a position to respond and to fulfill the demands of new initiatives to serve the local IT industry, making new businesses and expand. *PITA* has memorandums of Understanding with major international organizations such as DAI/MAP through which *PITA* can count on technical assistance of local and international experts. Other formal and non-formal collaboration arrangements are made with other local and international organizations such as PalTrade, The Private Sector Coordination Council and several PNA institutions and Ministries.

*PITA* is working on organizing, promoting and representing its member's interests locally and internationally and is cooperating with local legislative bodies to create an attractive investment environment by upholding Intellectual Property Rights and adopting laws that are vital for the development of the sector. *PITA* offers a range of services and organizes activities that provide opportunities for informed dialogue and profitable networking.

***PITA* seeks to facilitate avenues for all its members to establish contacts with other suppliers and stakeholders in the IT field. To achieve this, *PITA* is stretching out to organizations and institutions from around the world and to similar counter associations.**

***PITA* believes that Palestine will be a strong player in the IT world and that its members are ready, willing and capable to do business with all those looking for new opportunities in the region.**

### Contact Information

#### ***Palestine IT Association of Companies (PITA)***

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**Fax:** +970 2 240 8479  
**Email:** [info@pita-palestine.org](mailto:info@pita-palestine.org)  
**Http:** [www.pita-palestine.org](http://www.pita-palestine.org)

## 7.2. Massar Associates Profile

MASSAR provides comprehensive technical consulting services to institutions, non-governmental organizations, and private sector clients across the business spectrum. One of MASSAR's key attributes is its thorough knowledge of the political and economic environment in Palestine. MASSAR offers a gateway to Palestine for international investors. MASSAR has proven strengths in the discipline of finance and investment, including feasibility studies, due diligence and financial modelling, deal structuring, identification of funding sources, raising investment capital, contract negotiation, industry sector needs analyses, and marketing of projects to domestic and international contractors, operators and investors. Here we present our qualifications of solid experience and expertise in five areas:

### ***Management Support of the Peace Technology Fund (PTF), (March 1998 - Present). Client: Peace Technology Fund Management.***

MASSAR works with international fund managers, fiduciaries, investors and corporations to encourage capital investment in Palestine. MASSAR played a key role in the establishment of the Peace Technology Fund (PTF) and provided management support to this groundbreaking investment fund created to encourage international investment in West Bank and Gaza Strip. MASSAR was heavily involved in the planning, executing and advising the operations of the PTF, the first VC fund in Palestine. MASSAR's contribution comprised but was not limited to the following:

- Transforming the political initiative undertaken by President Arafat, Shimon Peres and the President of the World Bank, Mr. James Wolfensohn into an equity-financing fund.
- Helping raise the initial capital, working with fund managers, fiduciaries, investors and corporations from Palestine, Israel, Europe and the United States. The fund raising efforts culminated in a total subscription commitment of \$62.5 million USD.
- Transforming international relevant VC expertise and knowledge pertaining to fund management strategies to the PTF.
- Advising international investors on how money could be best invested in Palestine while carefully balancing risks with opportunities.
- Temporarily incubating PTF within its premises in order to obtain maximum benefit from MASSAR's existing modern administration and technical systems. PTF also drew upon MASSAR's expertise in the area of finance, capital markets, public and media relations, fund management, policy development, administrative management, and training.
- Assisting in generating deal flow, conducting due diligence, and oversight of portfolio companies.
- MASSAR also aggressively promoted PTF to gain acceptance within the Palestinian community as the first fund dedicated to the West Bank and Gaza Strip.

### ***Private Placement Investment and Listing of the Grand Park Hotel on Palestinian Stock Exchange (November 1999). Client: Group of Investors***

MASSAR worked with a group of investors to move the company from a family owned business to a corporation listed in the stock market. Assisted the principals of the hotel in raising private placement investment capital and in becoming listed on the PSE. Helped create a prospectus for potential investors and brokerage firms, and conducted comprehensive financial analysis to determine the value of the hotel as well as the appropriate asking share price. Advised the owners on the relevant regulations of the PSE, established the number of shares to be offered and completed the exchange listing, with 1.5 million shares offered at an opening price of \$3.47.



### ***Private Placement Investment and Listing of Arab Palestinian Shopping Centre (APSC) Project on the Palestinian Stock Exchange (December 1999 - September 2000) Client: Arab Palestinian Investment Company (APIC)***

MASSAR reviewed the financial analysis to assess the overall viability of the project. Prepared prospectus for the investors and contributed to the fund raising process and prepared all necessary documentation to be listed in the stock market. Fulfilled the requirements for the company to be listed on the PSE. The projected number of shares is 3.8 million, and the estimated par value was 1 Jordanian Dinar.

### ***Market Access Program (MAP) – DAI/ USAID (June 1999 - May 2002). Client: Development Alternatives Inc***

Under MAP, which aims to strengthen the private sector through building capacity of the business associations in order to better serve their members, MASSAR conducted the following:

- Evaluation of industrial credit environment in Palestine, September 98 – February 1999
- A comprehensive study of the stone and marble sector in the West Bank, 1998.
- A survey of the local pharmaceutical market to identify new opportunities, 1998.
- Training in international marketing and trade for the Stone and Marble association, 2001.

Furthermore, the program involved conducting various market and diagnostic studies for a number of Palestinian companies to explore their potential opportunities.

### ***Micro Credit Surveys, Client: IFC, Chemonics, Weideman Associates, and local commercial banks (1997 - 2000).***

Conducted Microfinance micro enterprise lending programs operational in the West Bank and Gaza. These studies aimed at providing essential information on the target market of small businesses that will serve as guidelines for policy setting and strategy formulation. These studies proposed loan features and credit terms in addition to training that was provided on credit analysis and business assessment.

### ***Massar's Managerial Experience:***

MASSAR is also the leading management company in Palestine with extensive experience in private sector development and project management. Massar has extensive experience in institutional capacity building, working to increase organizational and institutional effectiveness, create strong management systems and structures, and to facilitate the establishment of policies and procedures that ensure the systematic, efficient delivery of services to the population. Massar's consultants have also conducted numerous assignments related to management counseling and strategic planning involving upgrading technical and managerial capacity, improving budgeting procedures, accounting systems and expenditure control and providing guidance in the areas of strategic planning and organizational development.

Below are some managerial related assignments Massar has carried out recently:

- Diagnostic Study for the Palestinian Independent Commission for Citizens' Rights
- Management audit for the Treatment and Rehabilitation Center for the Victims of Torture (TRC)
- Institutional development project for Palestinian NGO providing services to small businesses
- Management capability assessment of an NGO specializing in water
- **Civil Society and Democracy Strengthening Project - Chemonics/USAID**
- **DAI-MAP Advocacy Training**
- Training Needs Assessment of Palestinian Municipalities and the Ministry of Local Governments

## 7.3. Palestinian Banking Corporation (PBC) Profile

### 1. Background

Palestinian Banking Corporation (PBC) came into existence in March 2001 when the Palestine Monetary Authority issued a banking license to Palestinian Development Fund (PDF), which then changed its name to PBC. PDF had itself emerged from the merger of three European Union-financed credit institutions, established between 1987 and 1992 to make available medium term loans to small and medium-sized businesses in the agricultural, manufacturing, services and tourism sectors in the West Bank, Gaza and East Jerusalem.

The overall objective is the creation of a comprehensive banking corporation capable of offering advanced banking services to the business sector in a rapidly changing environment. The European Union continues its strong support of PBC by supplying funding for new lending and capacity building programs.

### 2. Ownership

PBC is capitalized at US\$ 20 million, fully-paid. Current shareholders are:

Euro-Palestinian Foundation Limited, Cyprus	90.4%
European Investment Bank, Luxembourg	8.3%
Individual Palestinian shareholders	1.3%

Euro-Palestinian Foundation Limited is a charitable trust established by the European Union for the benefit of the Palestinian people as a whole. The decision structure of the Foundation and PBC itself ensures that PBC remains in private sector ownership, and that there is no interference from government bodies.

The European Investment Bank is the funding vehicle for certain EU projects, and carries a “AAA” rating in world capital markets.

The individual Palestinian shareholders are the original trustees of the institutions that merged to create PBC.

### 3. Products and Services

- a. Medium term lending (3-5 years), funded by the EU, Welfare Association, Arab Fund, Islamic Development Bank and others
- b. Working capital loans (up to 12 months), funded by the EU.
- c. Equity investment, funded by the European Investment Bank.
- d. Funds management, funded by private investors.
- e. Treasury (Foreign exchange, Money Market, Margin trading).
- f. Training (Empretec programme), jointly funded with Unctad.
- g. Consultancy (tourism, trade finance, IT).

#### **4. Board and Management**

PBC has a board of 10 members, headed by Mr. Maher Masri, Minister of Economy, Trade and Industry, in his personal capacity. Remaining members are distinguished Palestinians from the business and academic community.

Management is headed by Mr. Chris August, an international banker with many years of experience in the Middle East, supported by a team of local staff and international consultants.

***7.4. Partners Memorandum of Understanding***